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THE SOVIET WORLD

There were further indications last week that Moscow will attempt to use the Geneva conference primarily to promote two foreign policy goals:

(1) Recognition of Communist China's claim to great power status and a permanent voice in world affairs.

(2) Acceptance of the North Korean and Viet Minh regimes, and possibly the puppet governments for Cambodia and Laos, as the spokesmen of their respective countries.

As part of the continuous effort to enhance China's international status, the Soviet delegation may seek to obtain five-power discussion of general measures for the reduction of international tension. Two Soviet officials have recently hinted at an attempt to broaden the conference. Soviet diplomats suggested to Ambassador Bohlen and to British Foreign Office officials that the discussions should not be confined to Korea and Indochina but should be extended to the consideration of general questions, such as reduction of armaments and the development of East-West trade.

With respect to discussions on Indochina, Moscow and Peiping seem convinced that the Viet Minh's political strength and military initiative and France's evident desire for a truce will enable them to demand a high price for ending the war. Communist tactics appear aimed at inducing the French to take the initiative in approaching the Viet Minh with a truce offer.

Another possible Communist maneuver at Geneva was suggested by the publication in the Soviet and Chinese press of the statement by the "foreign minister of the national resistance government of Khmer" (Cambodia) protesting American intervention in Cambodia. This may foreshadow a plan to demand the participation of ready-made Cambodian and Laotian Communist governments at Geneva, in addition to the "Democratic Government of Vietnam." Such a plan might be aimed either at countering a French proposal to invite the Associated States or at supporting a proposal for the creation of coalition governments in the three states.

Inside the USSR, the 27 March decree of the Council of Ministers and an announcement by the party's central committee reveal that staff work on the land reclamation program has been tardy and incomplete. Pravda has admitted that the number

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of volunteers is inadequate and that labor now must be drafted and "dispatched" to the new lands. Adequate preparation has not been made for arrival of recruits there, and the assignment of technical workers has been chaotic.

It now appears that the Soviet policy makers committed themselves to the acreage expansion drive before surveying water and soil conditions in the new area. They also failed to measure the effect of this effort on their other agricultural plans. The latest decree directs Gosplan and the agricultural ministries to come up with estimates of 1955 machinery requirements by 1 June. By September, they are to prepare a draft plan for extending the land reclamation program from 1956 through 1960.

Khrushchev had previously made vague references to the desirability of tackling even more difficult reclamation work after 1955, but the more specific official statements had treated the present drive as a short-term program limited to a two-year period.

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KOREAN ISSUES AT THE GENEVA CONFERENCE

Neither the Communists nor the South Koreans are likely to make the concessions at Geneva necessary for Korea's unification. Although both the North and South Koreans have expressed a desire for the withdrawal of foreign troops, it is doubtful that agreement can be reached on the means of achieving this goal.

Since Berlin, Communist statements on Geneva conference issues have indicated little interest in seriously negotiating for Korean unification. Both the first secretary of the Soviet embassy in London and the Soviet ambassador in Paris saw little or no likelihood of a solution to this problem.

Communist propaganda, while hailing Geneva as an important step toward settling Korean problems, has avoided detailed discussions of basic issues. The Communists are apparently building a strong, general propaganda position from which they can move in any direction when the talks begin.

An indication of what they may propose came in a Pyongyang radio broadcast of 23 February which called for a "united front" of all patriotic Koreans to achieve unification. The broadcast insisted on an end to foreign interference in Korean affairs and on the settlement of Korean problems by the Koreans themselves.

In point of fact, Moscow and Peiping prefer the existing division of the country to any settlement limiting their control of the north. They hope to retain North Korea as a buffer and as an advanced base against Japan. The North Korean army is being rebuilt and reorganized, most of the North Korean air force has been moved from Manchuria to Korea, despite the terms of the truce, and North Korea's industrial facilities are being rehabilitated.

Statements by Soviet spokesmen that the Korean and German situations are "identical" suggest that the Communists will advance proposals on Korea similar to Molotov's formula for Germany. This would include three main phases: (a) withdrawal of foreign forces; (b) establishment of a provisional government by combining the rival regimes; and (c) ultimate establishment of a unified government by elections conducted under the provisional government.

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Since such a plan for unifying Korea would be unacceptable to the Western powers, as was Molotov's proposal for Germany, the Communists might propose a mutual withdrawal of all foreign forces without adequate enforcement provisions, such as inspection. This plan, which would be advanced for propaganda advantage only, would be presented as a means of "easing tensions" and opening the way for subsequent unification by the "Koreans themselves."

From a practical viewpoint, the Communist position is influenced by North Korea's relatively small population. Unless Pyongyang is granted parity with Seoul in any election procedures, a free vote would result in the destruction of Communist influence in Korea.

South Korea has demanded since 1951 that all Chinese Communist troops must be withdrawn and North Korea disarmed as a first order of business. President Rhee also demands that UN troops remain until Korea is unified and a final settlement of hostilities is reached. This obviously would be unacceptable to the Communist side.

Rhee's chief motivation in demanding troop withdrawals is his conviction that real security for South Korea is impossible while Chinese Communist troops occupy the north. Despite the assurance in the United States-South Korean defense pact, he questions American willingness to fight if South Korea is again attacked.

Rhee insists that any unification plan must extend Seoul's sovereignty over the entire peninsula by election of a new president or for North Korean representation in the Seoul legislature, but not for election of an entire new constituent assembly. He opposes coalition government or neutralization proposals and will probably walk out of the conference if such plans are discussed.

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THE STRUGGLE FOR POWER IN EGYPT

Colonel Nasr and the Revolutionary Command Council (RCC) have succeeded in reasserting their authority in Egypt after a month-long struggle for power with General Nagib, who had aligned himself with the political groups demanding the restoration of parliamentary government. Until the Nagib-Nasr contest is finally resolved, there can be no political stability or progress on economic development. At present no genuine reconciliation between the two men appears possible.

The Nasr-dominated RCC has repudiated all the concessions toward civil government it was forced to grant during the past month. It now apparently intends to continue its "revolution" and authoritarian rule without compromising with political factions. Nagib is back in the figurehead role he occupied before his ouster on 25 February. His prestige has been lessened, his position somewhat weakened, and he is reportedly ill. Nagib still retains, however, considerable popular following.

Three new factors have been introduced into the political situation as a result of the developments of the past month. Political parties, outlawed since January 1953, were given hope of an early return to civil government, and some of their leaders who had been arrested were released. Most of the leaders of the ultranationalistic Wafd and the fanatic Moslem Brotherhood are now at liberty. There has also been a general increase of activity among both civilian and military extremists and opportunists as a consequence of the over-all loss of prestige by both the RCC and Nagib. Finally, more popular frustration has been generated by the postponement of a return to parliamentary government.

Nasr's assumption of control poses all the problems inherent in a military dictatorship. Nasr and the RCC are unpopular and lack widespread support. Even in the armed forces certain groups, particularly among the cavalry and artillery, are believed opposed to continuation of the military regime.

Since Nagib appears on the decline physically and prestige-wise, he is not expected to attempt to challenge the RCC again in the near future. Opposition elements, however, may continue to use him as a rallying point.

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If Nasr and the RCC can now solidify their position, [redacted] they will make a concerted effort to reach an agreement with Britain on the Suez base. Settlement of the Suez question would provide the RCC with an important political victory which it sorely needs. Only then can the regime attempt to tackle the deep economic problems which confront it.

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**IMPLICATIONS OF THE SOVIET GRANT OF "SOVEREIGNTY" TO
EAST GERMANY**

The grant of "sovereignty" to East Germany was primarily an attempt to give maximum prestige, both at home and abroad, to a regime which was left weak and divided by the unrest and instability that followed the June 1953 riots. Announced just prior to the Socialist Unity Party (SED) congress, the action is bound to impress the party membership, torn by dissidence and factionalism, with the authority and permanence of the government.

The grant of "sovereignty" will strengthen the position of the present leadership of the SED to the detriment of the bourgeois elements who are participating in the government and dissidents within the SED. The new party structure to be announced at the congress will probably reflect the strengthening of the control of the SED first secretary, Ulbricht. The population as a whole is likely to view the announcement as the end of their hopes for unification with West Germany, and passive resignation can be expected, particularly if the economic program continues to bring real advantages to the working people.

Retention of the high commissioner detracts considerably from even the appearance of sovereignty. He will "insure security" and maintain contact with the Western occupation powers on "questions relating to Germany as a whole and to those questions arising from agreed quadripartite decisions on Germany." This is an assurance to the West that such agreements as that governing access rights to Berlin will not be disturbed, though it does not preclude the possibility of Soviet attempts to test the Allies' resistance to direct contacts with the East German regime. It also serves notice to the West and to the East German population that the Kremlin maintains its vital interest in East Germany.

The announcement makes it clear that, for security purposes, the Soviet military force will be "temporarily" maintained and implies that East Germany will continue to pay occupation costs. There is no mention of the formation of an East German army, which has often been linked with the frequent rumors of an impending grant of "sovereignty." On 25 March, however, the East German radio made one of its infrequent references to "the armed forces"

of East Germany and said that they had "the task of watching at the state frontiers."

The new "sovereignty" of the East German government is probably also intended to provide it with increased stature in its dealings with West Germany and other non-Orbit powers. The Soviet Union will certainly attempt to induce the West to negotiate with the East German regime on such matters as trade and participation in international conferences. Soviet propaganda is likely to include East Germany in its propaganda campaign for achieving general recognition, which already includes Communist states like China, North Korea and the Viet Minh.

West German government and press reactions initially played down the significance of the Soviet announcement, but some newspapers seized the opportunity to demand that the Western powers put the contractual agreements into effect immediately without waiting for EDC ratification.

West German officials have since indicated mounting concern over the move. On 30 March, Deputy Foreign Minister Blankenhorn told American representatives that he did not see how Western or other countries interested in East Germany could long avoid establishing relations with the East German regime. The Foreign Ministry is disturbed in particular by the susceptibility of neutral countries like Sweden, Switzerland, and India to the anticipated Soviet drive for recognition.

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ARBURUA EXPECTED TO ASK MORE AMERICAN ECONOMIC AID FOR SPAIN

Spanish minister of commerce Arburua, who is scheduled to arrive in Washington about 4 April, can be expected to press the argument that the financial aid program for Spain is not based on a realistic appraisal of the country's acute economic needs. Spain is in a severe economic crisis, and Arburua will probably argue that its needs are greater now than when the base agreements were signed last September.

Spain's slow but steady economic improvement since 1951, made possible by two successive bumper harvests and by American loans, was reversed last summer as a result of severe drought conditions. To avoid a resumption of bread rationing, which ended in 1952, the government had to buy more than 1,000,000 metric tons of wheat. The amount expended for this--\$52,000,000 in American dollars, \$14,000,000 in other foreign currencies, and \$20,000,000 in pesetas--is more than the \$85,000,000 in American economic aid allocated for 1954. In addition, frost damage last winter to the important citrus crop will cost Spain an estimated \$30,000,000 in foreign exchange earnings.

A balance of payments deficit is normal for Spain, but these losses of foreign exchange could have a disastrous effect on the economy as a whole. There are no appreciable financial reserves to fall back on in emergencies. Even in normal years Spain has had to resort to cumbersome trade and foreign exchange restrictions to insure the inflow of minimum raw materials and industrial equipment needed to maintain production.

Last year's drought drastically reduced the supply of electric power, which is inadequate even in years of abundant rainfall. This meant shorter work weeks and smaller pay checks for large numbers of workers, whose earning power was already near the bare subsistence level, and raised the threat of widespread labor unrest and a possible repetition of the general strikes of 1951.

The cumulative effect of these developments threatens to nullify the much-publicized economic progress made between 1951 and 1953. The government was moderately successful during this period in holding down prices by means of extensive imports to supplement shortages of essential commodities. In January of this year, however, it indirectly encouraged

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inflation by approving wage hikes averaging 35 percent for most industrial workers. Other inflationary pressures are at work, such as increases in coal, cement, and steel prices, and in electricity and rail freight rates. These pressures will almost certainly become more marked as the military base construction work progresses.

The Madrid government will probably use the present emergency to revive its contention that in the allocation of American aid, the normalization of the country's economy must take precedence over purely defense needs. Arburua has taken the position in conversations with American embassy officials in Madrid that too much of the \$85,000,000 allotted for 1954 was earmarked for direct military objectives such as transportation and munitions production, leaving a meager \$22,000,000 for purely economic support of the base construction program. This, he holds, presents a very serious problem for the government because of the general public's exaggerated impression of the size of American economic aid. Even after the agreements were signed, some government officials, including cabinet members, still believed that all military support was to come out of special defense funds over and above the \$85,000,000.

Arburua will probably take advantage of his two weeks' stay in the United States to state, prior to congressional allocation of the 1955 foreign aid funds, his government's desire for a substantial increase in the \$30,000,000 tentatively programmed for Spain. Failing in this he may press more strongly for a greater voice in the application not only of these funds but of the peseta counterpart which now must be set aside to defray the peseta costs of base construction. Madrid can also be expected to oppose the inclusion in the American aid figures for 1955 of surplus commodities for which the United States will accept payment in pesetas.

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EAST PAKISTAN ELECTION DEFEAT POSES PROBLEMS
FOR KARACHI GOVERNMENT

The overwhelming victory of the United Democratic Front in the East Bengal provincial elections in early March marked the first real defeat for Pakistan's Moslem League government since it came to power in 1947. This defeat in Pakistan's richest and most populous province poses serious problems, but the League probably will continue to control the central government in Karachi for the near future, and could even emerge as a stronger party.

The League has suffered from the schisms common in independence movements once their objective has been won, but the magnitude of its defeat in East Bengal is due primarily to local issues. The Bengalis resent what they feel is their "colonial" status vis-a-vis West Pakistan. Bengali students, the driving force in the United Front's campaign, have agitated violently against Karachi's reluctance to make the Bengali language official, and on a par with West Pakistan's Urdu.

United Front campaigners also asserted that East Bengal's economic development had been slighted by Karachi. They capitalized on the ineptitude and unpopularity of the League's provincial leaders. By contrast, the two principal Front spokesmen, H.S. Suhrawardy and Fazlul Huq, are both local heroes whose prestige antedates the partition of India in 1947 and who broke with the League on questions of its policy toward East Bengal.

The most immediate problem facing Karachi is whether the Front, a loose electoral coalition which drew up a minimum common program only after much haggling, can effectively govern the province. Outside the top leaders, neither the Front nor its main component, Suhrawardy's Communist-infiltrated Awami League, has any known men with talent or experience in administration. Huq, East Bengal's new chief minister, is an intelligent but unstable octogenarian.

However, since Huq and Suhrawardy apparently have agreed that the latter will concentrate on national politics and leave the provincial field to Huq, the unwieldy Front majority--211 of 309 seats at last report--may hold together at least initially. Suhrawardy's ambitions to become national prime minister suggest that he will seek to curb sentiment among his following for East Bengal's secession from West Pakistan.

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Prime Minister Mohammed Ali, the national Moslem League leader, has promised to cooperate fully with the United Front administration. However, continuing disorder in East Bengal, such as the recent series of violent strikes, might necessitate taking authority out of the hands of the Front and instituting rule from Karachi. This move would further alienate the Bengalis from West Pakistan.

The Moslem League's control of the national constituent assembly, which doubles as the central legislature, is also menaced by the Front's triumph. East Bengal is allotted 44 of the 79 assembly seats, and of these 44, Moslem League members hold 29. The Front has called for immediate dissolution of the assembly on the ground that East Bengal's views, as expressed in the elections, will not be represented in the draft constitution which the assembly may produce in the next few months.

Mohammed Ali has firmly resisted this demand on both legal and practical grounds, but has promised general elections for next year. He and Suhrawardy may have to agree earlier, however, on some compromise whereby the Front will replace the Moslem League incumbents from East Bengal. In any case, the overthrow of Mohammed Ali's government in this way does not appear imminent.

Before the election, the United Front refrained from open attack on American military aid to Pakistan and the defense pact with Turkey, although Soviet Orbit propaganda and the Indian press have interpreted the Moslem League's defeat as a popular rejection of these policies. A postelection statement by leftist-minded Maulana Bhashani, Suhrawardy's principal lieutenant in East Bengal, denounced Pakistan's "slave pact" with American "warmongers." Suhrawardy himself, however, has been very cautious on this question, stating that Pakistan should remain neutral in a world war, but that he favored military aid provided no strings were attached. Pakistan's foreign minister told the American embassy in Karachi on 25 March that the elections would not affect his government's foreign policy.

There are already indications that defeat has awakened the Moslem League to the need for the party's reorganization. Its leaders in Punjab and Sind Provinces have called for "revitalization," formulation of an economic program, and elimination of corruption in the ranks. The League is still the only Pakistani party operating on a nationwide basis, and it has the support of senior army officers who in the past have played a decisive role in ensuring government stability. These factors, plus greater respect for the unique situation of East Bengal, could enable the League to reorganize and thus prevent an eventual breakdown of its control of the central government.

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MACAO PUSHING STRATEGIC TRADE WITH CHINA

The Portuguese colony of Macao openly encourages the sale of about 2,000 tons of strategic goods to Communist China each month, thus tending to perpetuate the principal loophole in Western export controls against Peiping.

At Portugal's request the United States sent a delegation to Lisbon on 17 March for an exchange of views on trade controls applied to Macao. Although Portugal is expected to agree to improve the colony's ineffective controls, Lisbon has not in the past shown that it can force its decisions on its officials in Macao, who profit from the trade in strategic goods and are unwilling to suppress it. The Portuguese assert that this trade must be maintained to protect the colony from a Chinese attack, but the trade is not believed to be of such importance to China as to affect Peiping's military intentions toward Macao.

Macao's loose trade policies, plus the availability of Portuguese shipping, give European exporters their only legal method of selling strategic goods to Communist China, from which they derive large profits. The procedure has been for these exporters to obtain Macao import certificates, freely available, which state that re-export will not be permitted. Some European governments, while recognizing the probability that industrial exports will be transshipped to China, accept these certificates and permit exports to Macao of goods embargoed to Communist China.

Lisbon has further contributed to the procuring of strategic goods for Communist agents in Macao by providing the shipping used in this trade. For more than a year European cargos averaging close to 4,000 tons each have been reaching Macao on Portuguese vessels at intervals of two months.

A recent example was the 3,800 tons loaded at Hamburg, Bremen, Rotterdam, and Antwerp by the freighter India and delivered to Macao last January. Copper wire--embargoed by the governments concerned to any Orbit country--was the most important item, and strategic types of ball bearings, acetic acid, aluminum and lead ingots, and radio tubes comprised much of the cargo.

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In addition to the open trade in industrial goods, Macao has remained a principal smuggling base for the Chinese Communists, for whom strategic goods are illicitly obtained--primarily from Hong Kong, but also from Okinawa and Japan. This type of trade, which has probably been small in recent months, may be rising.

One major difficulty encountered by Macao's smuggler-traders in the past year has been the shifting policies of Chinese Communist buyers. Their increased discrimination has been noted generally in trade contacts with the West since the Korean truce, and has coincided with a domestic austerity program. In January, for example, Hong Kong imported from Macao a quantity of automobile batteries and 302 tons of iron sheets, items apparently originally purchased by speculators for sale to Communist mainland buyers. Trade has also been affected by Chinese development of certain islands in the Pearl River estuary as transshipment bases, by-passing Macao.

Such actions have frightened Macao officials into additional overtures to Peiping. On several occasions in recent months, the governor has admitted to American representatives that Macao is offering every facility to the Communists in the hope of regaining its former position as an important entrepot.

Recent reports indicate that Peiping is again accepting Macao as a trading base. The Chinese have reportedly discontinued plans for the development of a third transshipment base in the Pearl River, and their trade organizers in the colony have become more active this year.

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SOVIET REPUBLIC PARTY CONGRESSES REVEAL PROBLEM AREAS

Soviet local party leaders, particularly in Kazakhstan and Azerbaijan, have apparently been unable, in the face of local obstructions, to cope with the challenge posed by the Malenkov regime's program.

The Kremlin's problems were clearly defined at the party congresses which took place in the various republics during January and February. In general, the congresses reflected preoccupation with efforts to strengthen and revitalize party leadership.

Proper leadership was described as on-the-spot personal supervision, as opposed to remote-control direction by a myriad of written instructions and endless conferences. The vehemence and frequency with which this theme was voiced, particularly in relation to agricultural problems, indicate how seriously Moscow views the role of the party in carrying out its agricultural policy.

While criticism at all the congresses was fairly consistent in severity and content, it was particularly emphatic in two areas, Kazakhstan and Azerbaijan, where the work of the central committees was the object of special condemnation.

The primary reason for blasting the Kazakhstan central committee was the critical situation in agriculture and particularly in livestock. During the week preceding the congress, this situation had caused a major shake-up, with the first and second secretaries, Z. Shayakhmetov and I. I. Afonov, replaced by an alternate member of the all-Union party presidium, P. K. Ponomarenko, and the ex-first secretary of Moldavia, L. I. Brezhnev.

"Incompetent leadership of agriculture" was the main reason given for the purge. Shayakhmetov, who still retains his membership on the party buro, was described by Khrushchev in his report to the February all-Union central committee plenum as an honest but weak leader. The Kremlin apparently believed that the Kazakhstan leadership, which for years failed to overcome a constant lag in agriculture, could not possibly cope with the new goals, particularly the recent reclamation program.

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The deterioration in Kazakh agriculture cannot be laid solely to poor party leadership. It is caused equally by the native Kazakh's lack of responsibility for the welfare of communal herds and land, and by an apathy toward collectivization in general. This is a problem that Moscow must solve if its goals are to be realized. It is probable that the principal "remedy" will continue to be extensive resettlement of Great Russians and Ukrainians in Kazakhstan, as is being done in connection with the new land reclamation project.

In Azerbaijan, as in the Armenian and Georgian republics, party leadership problems stood out as the basic weakness. The problems stemmed principally from the survival of Beria men in key positions. The situation was further complicated by the fact that these men, particularly Arutinov in Armenia and Bagirov in Azerbaijan, had held their posts for an unusual length of time, probably because of Beria's protection, and had allowed the development of an advanced form of provincial dictatorial rule.

The Kremlin leadership, therefore, was concerned not only with weeding out Beria's associates but also with correcting the damage done by them to active party control over all aspects of Soviet life. A number of key men identified with Beria were eventually removed. The long delay in several instances and the nature of the charges when the ax finally fell suggest that they may have been granted a chance to reform but failed to respond. For example, it was not until late November that Armenia's boss, Arutinov, was purged with other top officials.

In Azerbaijan, except for the removal of first secretary Bagirov in July, no further shifts in the leadership or apparent attempts at reform were made until the congress in February. There the three top leaders, all hold-overs from Bagirov's regime, were charged with failure to eliminate grave mistakes in economic and party-political work, and all three emerged shorn of their posts and membership on the Azerbaijan central committee. The central committee itself was scored for unsatisfactory performance.

Apparently, Bagirov's purge had not removed his influence and the Kremlin recognized the necessity for further changes in order to revitalize the party. Whereas reports from the Georgian and Armenian congresses suggest that the party leadership there has already made considerable progress in rectifying this situation, similar results in Azerbaijan are yet to come.

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